

Employee Retirement Systems Overview

Fairfax County employee retirement systems include the Uniformed Retirement System (Fund 600), the Fairfax County Employees' Retirement System (Fund 601), and the Police Officers Retirement System (Fund 602). Each of these systems is funded from employees' contributions based on a fixed percentage of pay, County contributions based on a variable percentage of employee pay as determined by actuarial analysis, and return on investments. In order to assure the continued soundness of each fund, an actuarial valuation is conducted annually and, if appropriate, an adjustment is made to the employer's contribution rate.

For the Uniformed Retirement Trust Fund, the employer's contribution comes from two sources: Agency 89, Employee Benefits, in the County's General Fund, for uniformed public safety employees in General Fund agencies and Fund 120, E-911, for the non-administrative staff in the Department of Public Safety Communications. For the Fairfax County Employees' Retirement Trust Fund, the employer's contribution comes from two sources: Agency 89, Employee Benefits, for County employees and Fairfax County Public Schools (FCPS) for school employees. For the Police Officers Retirement Trust Fund, the full amount of the employer's contribution comes from Agency 89, Employee Benefits, in the County's General Fund.

The employer's contribution rate for FY 2008 for each of the three funds is as follows:

Fund	FY 2007 Rates (%)	FY 2008 Adopted Rates (%)	Percentage Point Change (%)	Net General Fund Impact
Uniformed	26.01	26.33	0.32	\$444,782
Employees'	9.25	9.59	0.34	\$1,030,949
Police Officers	19.55	21.00	1.45	<u>\$1,438,237</u>
Total				\$2,913,968

Following the current effective actuarial funding policy, contribution rates are adjusted only to fund approved benefit enhancements, to acknowledge changes in actuarial assumptions, both financial and demographic, and to recognize funding adjustments required when the funding ratio falls below 90 percent or rises above 120 percent.

- ◆ The employer contribution rate for the Uniformed system is required to increase by 0.32 percentage points due to a reduction in the Social Security offset multiplier from 64 percent to 40 percent for service-connected disability benefits, approved by the Board of Supervisors on April 30, 2007 and effective July 1, 2007.
- ◆ The employer contribution rate for the Employees' system is required to increase by 0.34 percentage points. An increase of 0.30 percentage points is due to the funding ratio falling further below the 90 percent funding ratio threshold, which requires an increase in the employer contribution rate to amortize the additional unfunded liability amount below 90 percent. An additional increase in the employer contribution rate of 0.04 percent is due to a reduction in the Social Security offset multiplier from 64 percent to 40 percent for service-connected disability benefits, approved by the Board of Supervisors on April 30, 2007 and effective July 1, 2007.
- ◆ The employer contribution rate for the Police Officers system is required to increase by 1.45 percentage points. An increase of 0.45 percentage points is based on a retiree cost of living increase benefit enhancement approved by the system's Board of Trustees effective July 1, 2006. An additional increase in the employer contribution rate of 1.00 percentage point is the result of a corresponding decrease in the employee contribution rate of 1.00 percentage point, from 12.00 percent to 11.00 percent of pay. This decrease in the employee contribution rate will reduce Police Officers' out-of-pocket costs and make the Police benefits package more competitive with surrounding jurisdictions. It is anticipated that additional adjustments will be made in subsequent years to continue to reduce the employee contribution rate for the Police Officers system.

Employee Retirement Systems Overview

It should be noted that the Police Officers and Uniformed systems retain funding ratios within the 90 to 120 percent corridor at 90.8 and 91.2 percent, respectively. The funding ratio for the Employees' system decreased from 85.6 percent to 85.2 percent. For more information on the General Fund impact of these employer contribution rate changes, please refer to the Agency 89, Employee Benefits, narrative in the Nondepartmental program area section of Volume 1.

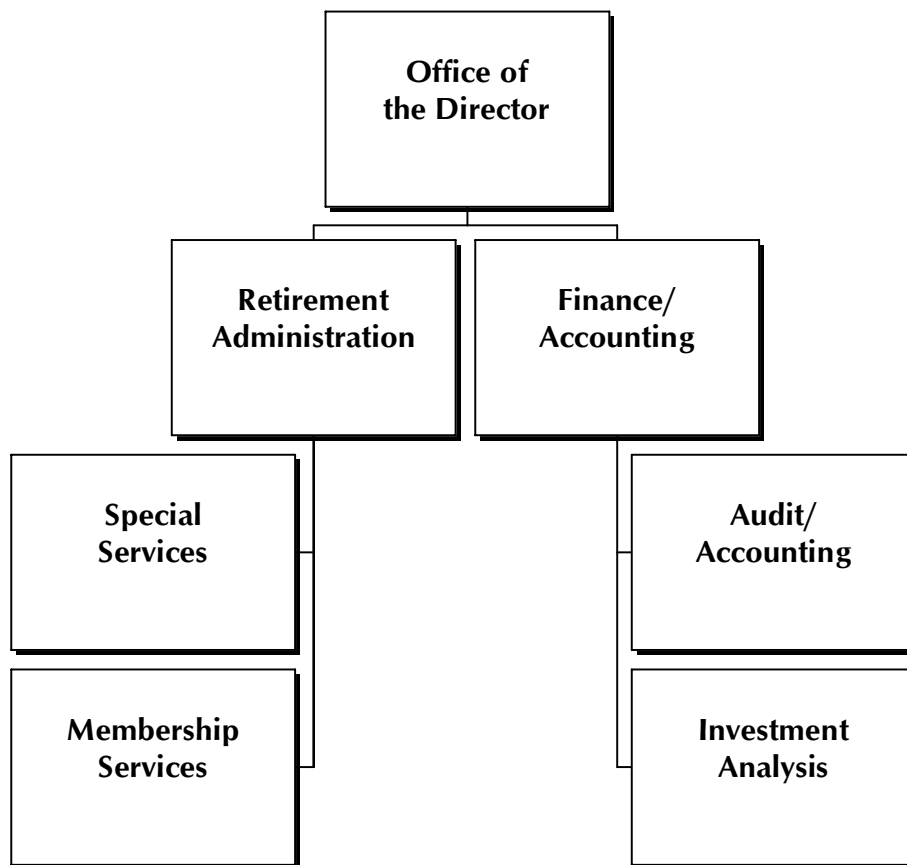
The following table displays relevant information about each retirement system:

EMPLOYEES COVERED					
Uniformed Retirement		Fairfax County Employees' Retirement		Police Officers Retirement	
Fire and Rescue Personnel; Uniformed Office of Sheriff employees; Animal Control Officers; Helicopter Pilots; Non-administrative staff in the Department of Public Safety Communications.		County employees not covered under Uniformed or Police Officers system; certain FCPS employees including food service, custodial, bus drivers, part-time and substitute teachers, maintenance staff.		Fairfax County Police Officers.	
CONDITIONS OF COVERAGE					
Uniformed Retirement		Fairfax County Employees' Retirement		Police Officers Retirement	
At age 55 with 6 years of service or after 25 years of service.		At age 65 with 5 years of service or earlier when age and years of service combined equal 80 or, for reduced "early retirement" benefits, 75. Not before age 50.		At age 55 or after 20 years of police service if hired before 7/1/81; or 25 years of service if hired on or after 7/1/81.	
EMPLOYEE CONTRIBUTION					
	Uniformed Retirement		Fairfax County Employees' Retirement		Police Officers Retirement
	Plan A	Plan B	Plan A	Plan B	11.00% of Pay
	Up to Wage Base	4.00%	7.08%	4.00%	
Above Wage Base	5.33%	8.83%	5.33%	5.33%	
Plan C	4.00%				
Plan D	7.08%				
EMPLOYER CONTRIBUTION Rate Structure / FY 2008					
Uniformed Retirement		Fairfax County Employees' Retirement		Police Officers Retirement	
26.33% \$39,097,529		County 9.59%/ \$44,404,197 Schools 9.59% / \$16,292,155		21.00% \$21,562,870	

Employee Retirement Systems Overview

INVESTMENT MANAGERS AS OF JUNE 30, 2006		
Uniformed Retirement	Fairfax County Employees' Retirement	Police Officers Retirement
<ul style="list-style-type: none"> ▪ Acadian Asset Management ▪ Barclays Global Investors ▪ The Boston Company ▪ Brandywine Asset Management ▪ Bridgewater Associates ▪ Cohen & Steers Capital Management ▪ Frontpoint Partners ▪ Harbourvest Partners ▪ J.L Kaplan Associates ▪ JP Morgan Investment Management ▪ Lazard Asset Management ▪ Marathon Asset Management ▪ Optima Management ▪ Orbimed Advisors ▪ Pacific Investment Management Co. ▪ Pantheon Ventures ▪ Payden & Rygel Investment Counsel ▪ Peregrine Capital Management ▪ Standish Mellon Asset Management ▪ Trust Company of the West ▪ UBS Realty Advisors ▪ Wasatch Advisors 	<ul style="list-style-type: none"> ▪ Barclays Global Investors ▪ Brandywine Asset Management ▪ Bridgewater Associates ▪ The Clifton Group ▪ Cohen & Steers Capital Management ▪ DePrince, Race & Zollo ▪ Deerfield Capital Management ▪ Enhanced Investment Technologies ▪ Frontpoint Partners ▪ JP Morgan Investment Management ▪ Julius Baer Investment Management ▪ LSV Asset Management ▪ MacKay Shields ▪ Peregrine Capital Management ▪ Pacific Investment Management Co. ▪ Post Advisory Group ▪ Sands Capital Management ▪ Shenkman Capital Management ▪ Standish Mellon Asset Management ▪ Robert E. Torray & Co. ▪ Trust Company of the West ▪ Wanger Asset Management 	<ul style="list-style-type: none"> ▪ Acadian Asset Management ▪ Barclays Global Investors ▪ Cohen & Steers Capital Management ▪ Dodge & Cox Investment Managers ▪ Grantham, Mayo, Van Otterloo ▪ Janus Capital ▪ McKinley Capital Management ▪ Pacific Investment Management Co. ▪ Peregrine Capital Management ▪ Standish Mellon Asset Management ▪ Systematic Financial Management ▪ Robert E. Torray & Co. ▪ Trust Company of the West ▪ Veredus Asset Management

Retirement Administration Agency



Mission

As an agent of the Boards of Trustees of the Employees', Police Officers, and Uniformed Retirement Systems, the mission of the Retirement Administration Agency is to administer the systems according to the terms established by the County of Fairfax and to do so in a manner that:

- ◆ Safeguards and invests the assets of the systems;
- ◆ Maximizes cost effectiveness of the retirement programs by optimizing long-term investment returns within an acceptable level of variation in required funding and by maintaining efficient administrative operations;
- ◆ Maximizes the value of retirement plans in retaining County personnel through communications, education, and counseling programs and by providing quality service;
- ◆ Fulfills the obligations of the systems to retirees by providing timely and accurate payments and by providing quality service; and
- ◆ Provides technical support and advice to County management and the Board of Supervisors regarding retirement benefits.

Retirement Administration Agency

Focus

The Retirement Administration Agency contributes to the County's corporate stewardship through sound management of County resources and assets. To accomplish its specific mission, the Retirement Agency will focus on:

- ◆ Support for the Boards of Trustees;
- ◆ Services to active employees and retirees;
- ◆ Accurate accounting and control of plan assets;
- ◆ Accuracy of data;
- ◆ Cost efficiency of processes; and
- ◆ Investment return and risk control.

Under the direction of the Boards of Trustees for the Police Officers Retirement, Fairfax County Employees' Retirement, and Uniformed Retirement Systems, the Retirement Administration Agency processes benefit payments to eligible Fairfax County retirees and beneficiaries. The agency also processes payments for the retiree health benefit subsidy from Fund 500, Retiree Health Benefits, and provides counseling and comprehensive information pertaining to benefits to active and retired County employees.

THINKING STRATEGICALLY

Strategic issues for the department include:


- Re-evaluating investment strategies in response to volatile capital markets and an uncertain economic environment;
- Monitoring the success of the corridor policy to make certain that plans are adequately funded for the long term; and
- Reviewing processes to identify opportunities to streamline operations and improve efficiency of services.

The agency receives revenues from various sources, including employee and employer contributions to the various retirement systems, employee payback, and return on investments, to finance the three employee retirement systems. Employee contributions are based on a fixed percentage of pay. In FY 2008, the Police employee contribution rate will be lowered by 1.00 percentage point, from 12.00 percent to 11.00 percent of pay, in order to reduce Police Officers' out-of-pocket costs and make the Police benefits package more competitive with surrounding jurisdictions. More specifically, the percentage of pay that Police Officers contribute to the retirement system is higher in Fairfax County than in several surrounding localities. Moreover, because Police Officers do not participate in Social Security, nor receive Social Security benefits unless they qualify through other employment, Police Officers' net income replacement ratio at retirement is lower than that of other County retirees who do participate in Social Security. Lowering the employee contribution rate will provide Police with a more equitable and competitive benefits package. This requires a corresponding 1.00 percentage point increase in the employer contribution rate to make up for lost revenues. It is anticipated that additional adjustments will be made in subsequent years to continue to reduce the employee contribution rate for the Police Officers system. Employer contributions are based on a variable percentage of employee pay as determined by actuarial analysis. For the Uniformed Retirement System, employer contributions come from two sources: Agency 89, Employee Benefits, in the County's General Fund, for uniformed public safety employees in General Fund agencies and Fund 120, E-911, for the non-administrative staff in the Department of Public Safety Communications. For the Employees' Retirement System, employer contributions come from Agency 89, Employee Benefits, for County employees and Fairfax County Public Schools (FCPS) for school employees. Employer contributions for the Police Officers Retirement System come solely from Agency 89, Employee Benefits, in the County's General Fund. Adjustments are made to the employer's contribution rate only to fund approved benefit enhancements, to acknowledge changes in actuarial assumptions, both financial and demographic, and to recognize funding adjustments required when the funding ratio falls out of the 90 to 120 percent funding corridor. Some revenues are also generated through employee payback, a process by which employees who have left the County can make a "payback" contribution and return to their previous standing in the retirement system upon their return to County employment. Additionally, significant revenues are achieved through returns on fund investments. Revenue projections are based on an assumed actuarial rate of return of 7.5 percent. An actuarial valuation is conducted annually for each of the three funds to assure the continued soundness of the

Retirement Administration Agency

retirement systems. In addition, an experience study – which compares actual experience to actuarial assumptions, both economic and demographic – is conducted once every five years to ensure that the plan is being valued appropriately. Such an experience study was last conducted in FY 2006, with assumption changes made that impacted the employer contribution rates in FY 2007.

New Initiatives and Recent Accomplishments in Support of the Fairfax County Vision

 Exercising Corporate Stewardship	Recent Success	FY 2008 Initiative
Achieved strong investment returns in FY 2006: <ul style="list-style-type: none"> ▪ Employees' System 9.0% ▪ Police Officers System 9.6% ▪ Uniformed System 10.7% 	☑	
Advise and support the Boards of Trustees in the development and implementation of investment strategies designed to improve risk adjusted returns and to minimize the long-term funding required to provide competitive retirement benefits.	☑	☑
Upgraded and replaced databases and processing systems required to maintain records, calculate benefits, and issue benefit payments.	☑	

Budget and Staff Resources

Agency Summary ¹					
Category	FY 2006 Actual	FY 2007 Adopted Budget Plan	FY 2007 Revised Budget Plan	FY 2008 Advertised Budget Plan	FY 2008 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	24/ 24	24/ 24	24/ 24	24/ 24	24/ 24
Expenditures:					
Personnel Services	\$5,926,861	\$7,246,565	\$7,246,565	\$7,686,191	\$7,686,191
Operating Expenses	233,264,055	239,914,154	261,823,786	265,710,479	265,710,479
Capital Equipment	0	0	0	0	0
Total Expenditures	\$239,190,916	\$247,160,719	\$269,070,351	\$273,396,670	\$273,396,670

¹ The table above includes all of the three County retirement funds (Funds 600, 601, and 602) as well as the Retiree Health Benefits Fund (Fund 500) which are administered by this agency and to which all costs of agency administration are apportioned. Further details on Fund 500, including the fund statement, may be found under the Internal Service Fund section in this volume.

Retirement Administration Agency

Position Summary		
<u>OFFICE OF THE DIRECTOR</u>	<u>Special Services</u>	<u>FINANCE/ACCOUNTING</u>
1 Executive Director	1 Programmer Analyst III	1 Investment Manager
1 Administrative Assistant III	1 Programmer Analyst II	
	1 Information Officer II	<u>Audit/Accounting</u>
<u>RETIREMENT ADMINISTRATION</u>	<u>Membership Services</u>	1 Accountant II ¹
1 Deputy Director	1 Accountant II	1 Administrative Assistant IV
1 Administrative Assistant II	1 Management Analyst II	
	4 Retirement Counselors	<u>Investment Analysis</u>
	4 Administrative Assistants III	1 Senior Investment Manager
	1 Administrative Assistant II	1 Investment Manager
		1 Investment Analyst
<u>TOTAL POSITIONS</u>		
24 Positions / 24.0 Staff Years		

¹1/1.0 SYE Accountant II is financed by Fund 500, Retiree Health Benefits. All remaining 23/23.0 SYE positions are financed jointly by the three retirement trust funds (Fund 600, Fund 601, and Fund 602).

FY 2008 Funding Adjustments

The following funding adjustments from the FY 2007 Revised Budget Plan are necessary to support the FY 2008 program:

- ◆ **Employee Compensation** **\$213,886**
 An increase of \$213,886 in Personnel Services includes salary adjustments necessary to support the County's compensation program, including an increase of \$10,484 associated with the 1/1.0 SYE position supported by Fund 500, Retiree Health Benefits.
- ◆ **Retiree Health Subsidy Payments** **\$225,740**
 An increase of \$225,740 in Personnel Services associated with retiree health benefit payments. For further information please refer to Fund 500, Retiree Health Benefits, in the Internal Service Fund section of Volume 2.
- ◆ **Benefit Payments** **\$24,772,517**
 An increase of \$24,772,517 in Operating Expenses reflects increased payments of \$22,024,616 to retirees due to a higher number of retirees and higher individual payment levels, an increase in the allowance for refunds of \$2,153,000 based on projected turnover of active members, and an increase in payments to beneficiaries of \$594,901.
- ◆ **Investment Management Fees** **\$931,276**
 An increase of \$931,276 in Operating Expenses reflects an increase in investment management fees due to the projected growth in assets and the investment strategies adopted by the Boards of Trustees.
- ◆ **Actuarial Services** **\$64,353**
 An increase of \$64,353 in Operating Expenses due to higher actuarial costs as a result of an actuarial audit that is performed once every five years and will be conducted in FY 2008.
- ◆ **Banking Services** **(\$30,000)**
 A decrease of \$30,000 in Operating Expenses for custodial banking services due to lower projected out-of-pocket transaction expenses.
- ◆ **Computer Hardware and Software** **\$27,476**
 An increase of \$27,476 in Operating Expenses for the ongoing maintenance cost of the new pension administration system.
- ◆ **Rent** **\$12,443**
 An increase of \$12,443 in Operating Expenses due to an escalation in the office lease.

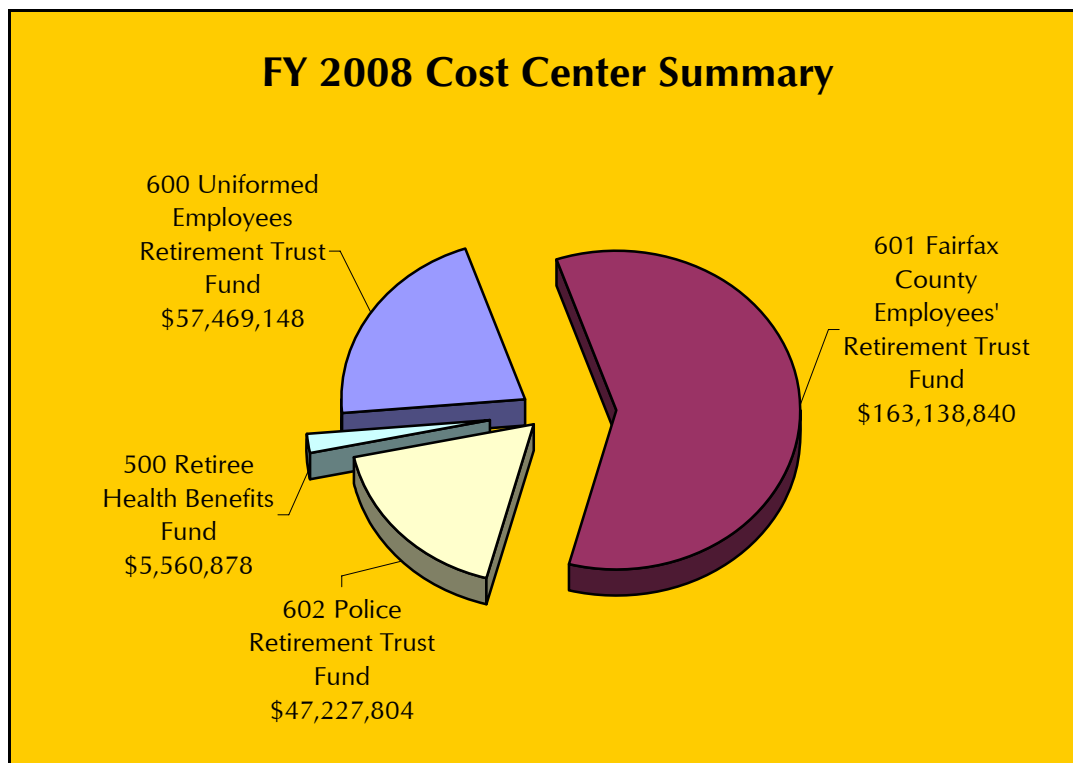
Retirement Administration Agency

- ◆ **Other Operating Expenses** **\$18,260**
A net increase of \$18,260 in all other Operating Expenses.
- ◆ **Carryover Adjustments** **(\$1,309,632)**
A decrease of \$1,309,632 as a result of one time funding at the *FY 2006 Carryover Review*.

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2008 Advertised Budget Plan, as approved by the Board of Supervisors on April 30, 2007:

- ◆ The Board of Supervisors made no adjustments to this fund.



Changes to FY 2007 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2007 Revised Budget Plan since passage of the FY 2007 Adopted Budget Plan. Included are all adjustments made as part of the FY 2006 Carryover Review and all other approved changes through December 31, 2006:

- ◆ **Carryover Adjustments** **\$1,309,632**
As part of the *FY 2006 Carryover Review*, the Board of Supervisors approved encumbered carryover in Operating Expenses of \$1,285,366 to cover the cost of a new pension administration system and \$24,266 for equipment and contracts for clerical assistance that had not yet been billed.

Retirement Administration Agency

The following funding adjustments reflect all approved changes to the FY 2007 Revised Budget Plan from January 1, 2007 through April 23, 2007. Included are all adjustments made as part of the FY 2007 Third Quarter Review:

- ◆ **Third Quarter Adjustments** **\$20,600,000**
 As part of the FY 2007 Third Quarter Review, the Board of Supervisors approved additional funding of \$14,600,000 to cover anticipated securities lending fees, including \$2,100,000 for Fund 600, Uniformed Retirement System, \$10,400,000 for Fund 601, Employees' Retirement System, and \$2,100,000, for Fund 602, Police Officers Retirement System. The Board also approved additional funding of \$6,000,000 to cover higher than anticipated benefit payments, including \$5,000,000 for Fund 600 and \$1,000,000 for Fund 602.

Key Performance Measures

Objectives

- ◆ To maintain at 100 percent the number of retiree benefit payments processed on time.
- ◆ To achieve at least a 7.5 percent return on investment over rolling three year periods.
- ◆ To achieve realized return on investment commensurate with the S&P 500 Index and the Lehman Brothers Aggregate Bond Index.

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2004 Actual	FY 2005 Actual	FY 2006 Estimate/Actual	FY 2007	FY 2008
Output:					
Members: Fairfax County Employees (1)	18,447	19,346	18,938 / 19,694	19,989	20,240
Members: Uniformed	2,437	2,497	2,535 / 2,785	2,601	2,936
Members: Police Officers	2,008	2,018	2,073 / 2,089	2,079	2,151
Return on investment: Fairfax County Employees	\$329,845,783	\$282,233,800	\$159,935,982 / \$214,800,850	\$178,540,179	\$190,576,302
Return on investment: Uniformed	\$98,067,456	\$82,806,493	\$59,572,839 / \$93,737,747	\$66,394,070	\$75,065,644
Return on investment: Police Officers	\$94,681,757	\$65,054,840	\$52,822,997 / \$73,481,627	\$57,553,118	\$62,683,690
Efficiency:					
Cost per member: Fairfax County Employees	\$44	\$53	\$56 / \$52	\$60	\$73
Cost per member: Uniformed	\$108	\$87	\$105 / \$80	\$114	\$118
Cost per member: Police Officers	\$111	\$117	\$140 / \$105	\$152	\$169
Investment costs as a percent of assets: Fairfax County Employees (2)	0.49%	0.47%	0.61% / 0.47%	0.58%	0.56%
Investment costs as a percent of assets: Uniformed	0.53%	0.49%	0.70% / 0.52%	0.64%	0.60%
Investment costs as a percent of assets: Police Officers	0.52%	0.51%	0.70% / 0.47%	0.66%	0.61%

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Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2004 Actual	FY 2005 Actual	FY 2006 Estimate/Actual	FY 2007	FY 2008
Service Quality:					
Percent of retiree checks issued within schedule time frame: Fairfax County Employees	100%	100%	100% / 100%	100%	100%
Percent of retiree checks issued within schedule time frame: Uniformed	100%	100%	100% / 100%	100%	100%
Percent of retiree checks issued within schedule time frame: Police Officers	100%	100%	100% / 100%	100%	100%
Return compared to assumed actuarial rate (7.5%): Fairfax County Employees	18.42%	13.55%	7.50% / 8.99%	7.50%	7.50%
Return compared to assumed actuarial rate (7.5%): Uniformed	15.02%	10.97%	7.50% / 10.71%	7.50%	7.50%
Return compared to assumed actuarial rate (7.5%): Police Officers	16.07%	9.63%	7.50% / 9.57%	7.50%	7.50%
Large cap domestic equity return compared to S&P 500 Index: S&P 500 Index	19.11%	6.32%	NA / 8.63%	NA	NA
Large cap domestic equity return compared to S&P 500 Index: Fairfax County Employees	20.83%	3.32%	NA / 8.30%	NA	NA
Large cap domestic equity return compared to S&P 500 Index: Uniformed	18.48%	8.17%	NA / 11.06%	NA	NA
Large cap domestic equity return compared to S&P 500 Index: Police Officers	18.72%	3.29%	NA / 7.26%	NA	NA
Fixed income return compared to the Lehman Aggregate Bond Index: Lehman Aggregate Bond Index	0.32%	6.80%	NA / (0.81%)	NA	NA
Fixed income return compared to the Lehman Aggregate Bond Index: Fairfax County Employees	6.14%	10.55%	NA / 0.08%	NA	NA
Fixed income return compared to the Lehman Aggregate Bond Index: Uniformed	0.87%	7.55%	NA / (1.93%)	NA	NA
Fixed income return compared to the Lehman Aggregate Bond Index: Police Officers	1.68%	7.25%	NA / (1.85%)	NA	NA

Retirement Administration Agency

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2004 Actual	FY 2005 Actual	FY 2006 Estimate/Actual	FY 2007	FY 2008
Outcome:					
Percent of retiree payments processed on time: Fairfax County Employees	100%	100%	100% / 100%	100%	100%
Percent of retiree payments processed on time: Uniformed	100%	100%	100% / 100%	100%	100%
Percent of retiree payments processed on time: Police Officers	100%	100%	100% / 100%	100%	100%
Deviation from actuarial rate of return (total plan): Fairfax County Employees	10.9%	6.1%	0.0% / 1.5%	0.0%	0.0%
Deviation from actuarial rate of return (total plan): Uniformed	7.5%	3.5%	0.0% / 3.2%	0.0%	0.0%
Deviation from actuarial rate of return (total plan): Police Officers	8.6%	2.1%	0.0% / 2.1%	0.0%	0.0%
Deviation from S&P 500 (large cap equities): Fairfax County Employees	1.7%	(3.0%)	0.0% / (0.3%)	0.0%	0.0%
Deviation from S&P 500 (large cap equities): Uniformed	(0.6%)	1.9%	0.0% / 2.4%	0.0%	0.0%
Deviation from S&P 500 (large cap equities): Police Officers	(0.4%)	(3.0%)	0.0% / (1.4%)	0.0%	0.0%
Deviation from Lehman Aggregate (fixed income): Fairfax County Employees	5.8%	3.8%	0.0% / 0.9%	0.0%	0.0%
Deviation from Lehman Aggregate (fixed income): Uniformed	0.6%	0.8%	0.0% / (1.1%)	0.0%	0.0%
Deviation from Lehman Aggregate (fixed income): Police Officers	1.4%	0.5%	0.0% / (1.0%)	0.0%	0.0%

(1) This indicator was previously reported separately as number of retirees and number of active members. Beginning in FY 2001, these indicators were combined and are now shown as the total number of members.

(2) This indicator was previously reported as investment costs as a percentage of earnings. However, beginning in FY 2001, the indicator was revised and now reflects the costs as a percentage of assets.

Retirement Administration Agency

Performance Measurement Results

For the third year in a row, investment returns for each of the three retirement systems were above the long-term average rate of 7.5 percent assumed for actuarial purposes. Returns were 9.0 percent for the Employees' system, 9.6 percent for the Police Officers system, and 10.7 percent for the Uniformed system in FY 2006. These returns were achieved in a year in which returns in the equity markets were positive, but bond returns were negative. The S&P 500 Index was up 8.6 percent and the Lehman Brothers Aggregate Bond Index was down 0.8 percent. The diversification strategies of the three different systems continued to contribute to the total returns achieved. U.S. Small Cap stocks with a return of 14.6 percent outperformed the large-cap S&P 500. Returns in non-U.S. equities were particularly strong, with stocks in developed markets returning 27.1 percent and stocks in emerging market countries returning 35.9 percent. Real estate returns were also strong, with private real estate returning 18.2 percent and equity real estate (REITs) returning 19.1 percent.

These overall returns in the capital markets and each system's asset allocation strategy, combined with the value added by the investment management firms employed by each system, resulted in the strong investment results for FY 2006.

In the universe of public funds used to assess relative performance, results for the Employees' system ranked at the 80th percentile, the Uniformed return ranked at the 53rd percentile, and the Police Officers return ranked at the 68th percentile. Public Fund universe rankings for the five-year period ending June 30, 2006 for the Employees', Uniformed, and Police Officers systems were 19, 35, and 62 respectively.

Retirement Administration Agency

FUND STATEMENT

Fund Type G60, Pension Trust Funds

Fund 600, Uniformed Retirement

	FY 2006 Actual	FY 2007 Adopted Budget Plan	FY 2007 Revised Budget Plan	FY 2008 Advertised Budget Plan	FY 2008 Adopted Budget Plan
Beginning Balance	\$836,684,846	\$894,367,643	\$942,648,274	\$1,003,167,637	\$1,019,059,638
Revenue:					
Employer Contributions	\$32,135,984	\$39,690,793	\$39,690,793	\$38,635,391	\$39,097,529
Employee Contributions	9,021,391	8,788,398	8,788,398	11,209,046	11,209,046
Employee Payback	839,038	63,000	63,000	200,000	200,000
Return on Investments ¹	72,498,406	66,394,070	89,386,071	75,065,644	75,065,644
Total Realized Revenue	\$114,494,819	\$114,936,261	\$137,928,262	\$125,110,081	\$125,572,219
Unrealized Gain (Loss) ¹	\$36,077,849	\$0	\$0	\$0	\$0
Total Revenue	\$150,572,668	\$114,936,261	\$137,928,262	\$125,110,081	\$125,572,219
Total Available	\$987,257,514	\$1,009,303,904	\$1,080,576,536	\$1,128,277,718	\$1,144,631,857
Expenditures:					
Administrative Expenses	\$666,109	\$815,773	\$1,012,607	\$866,148	\$866,148
Investment Services	7,569,782	5,460,291	7,560,291	5,935,000	5,935,000
Payments to Retirees	35,579,346	46,835,775	51,835,775	49,749,076	49,749,076
Beneficiaries	444,431	642,225	642,225	533,924	533,924
Refunds	349,572	466,000	466,000	385,000	385,000
Total Expenditures	\$44,609,240	\$54,220,064	\$61,516,898	\$57,469,148	\$57,469,148
Total Disbursements	\$44,609,240	\$54,220,064	\$61,516,898	\$57,469,148	\$57,469,148
Ending Balance²	\$942,648,274	\$955,083,840	\$1,019,059,638	\$1,070,808,570	\$1,087,162,709

¹ Unrealized gain/loss will be reflected as an actual revenue at the end of each fiscal year.

² The Uniformed Retirement Fund maintains fund balances at adequate levels relative to projected requirements. The fund balance fluctuates annually primarily due to interest on investments.

Retirement Administration Agency

FUND STATEMENT

Fund Type G60, Pension Trust Funds

**Fund 601, Fairfax County
Employees' Retirement**

	FY 2006 Actual	FY 2007 Adopted Budget Plan	FY 2007 Revised Budget Plan	FY 2008 Advertised Budget Plan	FY 2008 Adopted Budget Plan
Beginning Balance	\$2,307,321,603	\$2,419,993,787	\$2,460,951,499	\$2,580,872,488	\$2,637,529,238
Revenue:					
County Employer Contributions	\$35,022,701	\$41,016,851	\$41,016,851	\$44,218,555	\$44,404,197
County Employee Contributions	19,911,953	21,907,719	21,907,719	21,721,967	21,721,967
School Employer Contributions	14,413,762	15,112,500	15,112,500	16,292,155	16,292,155
School Employee Contributions	7,450,481	8,517,334	8,517,334	8,445,117	8,445,117
Employee Payback	243,500	500,000	500,000	400,000	400,000
Return on Investments	258,527,998	178,540,179	245,596,929	190,576,302	190,576,302
Total Realized Revenue	\$335,570,395	\$265,594,583	\$332,651,333	\$281,654,096	\$281,839,738
Unrealized Gain (Loss) ¹	(\$31,231,080)	\$0	\$0	\$0	\$0
Total Revenue	\$304,339,315	\$265,594,583	\$332,651,333	\$281,654,096	\$281,839,738
Total Available	\$2,611,660,918	\$2,685,588,370	\$2,793,602,832	\$2,862,526,584	\$2,919,368,976
Expenditures:					
Administrative Expenses	\$1,852,237	\$2,391,877	\$3,275,649	\$2,585,839	\$2,585,839
Investment Services	22,311,760	13,643,462	24,043,462	14,100,000	14,100,000
Payments to Retirees	106,298,914	121,711,119	121,711,119	136,855,492	136,855,492
Beneficiaries	2,436,827	2,539,364	2,539,364	2,916,509	2,916,509
Refunds	17,809,681	4,504,000	4,504,000	6,681,000	6,681,000
Total Expenditures	\$150,709,419	\$144,789,822	\$156,073,594	\$163,138,840	\$163,138,840
Total Disbursements	\$150,709,419	\$144,789,822	\$156,073,594	\$163,138,840	\$163,138,840
Ending Balance²	\$2,460,951,499	\$2,540,798,548	\$2,637,529,238	\$2,699,387,744	\$2,756,230,136

¹ Unrealized gain/loss will be reflected as an actual revenue at the end of each fiscal year.

² The Employees' Retirement Fund maintains fund balances at adequate levels relative to projected requirements. The fund balance fluctuates annually primarily due to interest on investments.

Retirement Administration Agency

FUND STATEMENT

Fund Type G60, Pension Trust Funds

Fund 602, Police Retirement

	FY 2006 Actual	FY 2007 Adopted Budget Plan	FY 2007 Revised Budget Plan	FY 2008 Advertised Budget Plan	FY 2008 Adopted Budget Plan
Beginning Balance	\$735,092,033	\$775,937,695	\$800,424,526	\$844,181,102	\$865,128,024
Revenue:					
Employer Contributions	\$16,727,287	\$19,360,390	\$19,360,390	\$21,562,870	\$21,562,870
Employee Contributions	10,789,593	9,873,273	9,873,273	11,895,526	11,895,526
Employee Payback	110,066	25,000	25,000	25,000	25,000
Return on Investments	77,165,394	57,553,118	81,600,040	62,683,690	62,683,690
Total Realized Revenue	\$104,792,340	\$86,811,781	\$110,858,703	\$96,167,086	\$96,167,086
Unrealized Gain (Loss) ¹	\$71,638	\$0	\$0	\$0	\$0
Total Revenue	\$104,863,978	\$86,811,781	\$110,858,703	\$96,167,086	\$96,167,086
Total Available	\$839,956,011	\$862,749,476	\$911,283,229	\$940,348,188	\$961,295,110
Expenditures:					
Administrative Expenses	\$614,064	\$780,207	\$1,009,233	\$831,804	\$831,804
Investment Services	7,085,897	4,935,971	7,035,971	4,936,000	4,936,000
Payments to Retirees	29,706,083	34,717,374	35,717,374	38,684,316	38,684,316
Beneficiaries	1,596,723	1,866,627	1,866,627	2,192,684	2,192,684
Refunds	528,718	526,000	526,000	583,000	583,000
Total Expenditures	\$39,531,485	\$42,826,179	\$46,155,205	\$47,227,804	\$47,227,804
Total Disbursements	\$39,531,485	\$42,826,179	\$46,155,205	\$47,227,804	\$47,227,804
Ending Balance²	\$800,424,526	\$819,923,297	\$865,128,024	\$893,120,384	\$914,067,306

¹ Unrealized gain/loss will be reflected as an actual revenue at the end of each fiscal year.

² The Police Retirement Fund maintains fund balances at adequate levels relative to projected requirements. The fund balance fluctuates annually primarily due to interest on investments.